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Dear Stefanie

Changing Customers to post RDR unit classes

I am pleased to set out below TISA's response to your request for comments on the Consultation Document before it is published.

Although in general terms the Consultation is consistent with the recommendations coming out of the TISA Share Class Conversion Project, which we launched in May, we do have some concerns.

1. Actual and deemed consent

It is our view that the following process should be acceptable:

- Prior to conversion, firms should examine the likely impact of the conversion on clients. This should be client by client, and decisions made based on whether there is any detriment, and its extent. Generally speaking there should be provision for a de minimis. Industry consensus is for £10.
- The impact on clients will likely arise not simply from conversion from, say, legacy class of 150bps to platform class of 75bps. This is because the legacy class fee will include a platform fee and adviser fee, which will have to be paid separately in future. Thus the conversion is from one fee model (fully inclusive) to another, where the costs are separated and identified. It is quite possible that platforms will set fees that benefit customers with larger balances, but which have a greater impact on smaller balances. Thus, impact is required on a client by client basis. Our members have agreed this is good practice.
- Members should give adequate notice in advance to clients and adopt their usual practice for notifying and following up such notices to clients. The minimum notice should be 30 days, before conversion takes place.
- **Subject to firms satisfying themselves (and this will be fact specific) that there is no detriment or that it is de minimis, we do not believe actual consent should be required.** This is because it is unreasonable for firms to be required to maintain customers in a legacy class going forward, when most of the customers have moved

to the platform class. There are business costs in maintaining different classes with different charging arrangements, and we do not see that firms should be compelled to maintain arrangements indefinitely because customers have not responded.

2. Best interests of clients

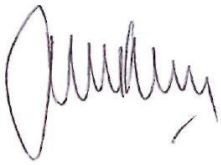
We believe that you should clarify this to make it clear that you are talking about 'no detriment', as it is practically impossible to demonstrate that any change is in their best interests

3. Conversion procedures for direct unit holders

We disagree with the FCA. It should be possible for managers to convert all holders from one class to another, subject to demonstrating no *de minimis* detriment. Many unit holders will not reply – even on matters of votes on increased charges, the vast majority of unit holders do not vote or respond. Requiring managers to maintain old defunct share classes indefinitely, irrespective of the administrative costs of doing so, seems quite wrong. As with platform changes, we believe managers should consider the potential impact, client by client, before making changes and give clients adequate notice before conversion.

In general terms we welcome the consultation. We believe our members will share our view. But we believe the consultation would be improved by taking our comments above into account.

If you have any questions, please let me know.



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